

WANG



WANG LABORATORIES, INC.

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YEAR END
REPORT TO SHAREHOLDERS
FOR THE PERIOD ENDED
JUNE 30, 1988

To Our Shareholders:

In Fiscal 1988, Wang Laboratories completed the first year of its planned three-year turnaround, highlighted by a number of solid achievements that will strengthen the Company for the growth years ahead.

Revenues for the fiscal year ended June 30, 1988 totaled \$3,068.4 million, an increase of 8% from the \$2,836.7 million in Fiscal 1987. Net earnings were \$92.7 million, compared to a \$70.7 million net loss a year ago; per share earnings were \$.56, compared to a loss of \$.44 reported last year.

Revenues for the three months ended June 30, 1988 were \$822.8 million, compared to the \$824.0 million reported for last year's fourth quarter. Net earnings were \$13.4 million, or \$.08 per share, compared to \$32.0 million, or \$.20 per share in the comparable period a year ago.

During the year, the Company generated significant cash flow, strengthened its balance sheet, and further tightened its expense controls. Additionally, programs to decentralize operations and delegate authority began to pay off during Fiscal 1988, in the form of faster decision-making and closer relationships with customers.

Orders for the Wang Integrated Image Systems are increasing rapidly, indicating that Wang is opening up the image market. Of the 80 systems we have sold during the last nine months, over half were booked in the fourth quarter. Many of these are initial systems in major accounts, with high growth potential.

Additionally, the Company has improved its competitive position. Although the high end of our VS line continued to sell briskly, increased competition slowed order rates for the low-end and mid-range models. However, we have taken two major competitive steps. In April, we introduced the Wang PC Local Area Network and related connectivity products to offer Wang alternatives for users of industry-standard PCs. Details of this announce-

ment can be found on the back cover of this report.

On July 26, 1988, the Company announced the VS 5000, a low- to mid-range minicomputer that offers major price-performance advantages over the IBM AS/400 and the DEC MicorVAX.

Also during the quarter, the Board of Directors

elected Eugene M. Bullis Chief Financial Officer; Ian Diery Executive Vice President, Worldwide Field Operations; and Horace Tsiang Executive Vice President and Chief Development Officer. Ronald Smith and Edward Yang were named Senior Vice Presidents in the field sales organization.

Condensed Statement of Consolidated Earnings

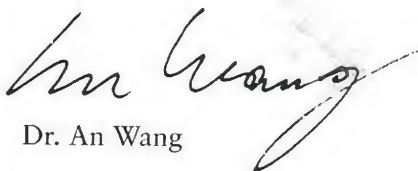
(Dollar amounts in millions except per share data)	Quarter Ended June 30,		Year Ended June 30,	
	1988	1987	1988	1987
Revenue	\$ 822.8	\$ 824.0	\$3,068.4	\$2,836.7
Total costs and expenses	806.3	768.0	2,949.7	2,888.4
Earnings (loss) before income taxes	16.5	56.0	118.7	(51.7)
Provision for income taxes	3.1	24.0	26.0	19.0
Net earnings (loss)	<u>\$ 13.4</u>	<u>\$ 32.0</u>	<u>\$ 92.7</u>	<u>\$ (70.7)</u>
Net earnings (loss) per Class B and Class C Common share	<u>\$.08</u>	<u>\$.20</u>	<u>\$.56</u>	<u>\$ (.44)</u>
Average shares outstanding (000's)	165,717	164,098	165,740	159,773

Condensed Consolidated Balance Sheet

(Dollar amounts in millions)	June 30, 1988	June 30, 1987
Current assets	\$1,177.6	\$1,250.3
Service parts and rental equipment	391.0	374.7
Property, plant and equipment, net	782.7	778.1
Other assets	486.7	409.3
Total assets	<u>\$2,838.0</u>	<u>\$2,812.4</u>
Current liabilities	\$ 709.2	\$ 653.4
Long-term debt	537.1	667.5
Deferred income taxes	5.6	5.3
Total liabilities	<u>1,251.9</u>	<u>1,326.2</u>
Stockholders' equity	<u>1,586.1</u>	<u>1,486.2</u>
Total liabilities and stockholders' equity	<u>\$2,838.0</u>	<u>\$2,812.4</u>

Harry H.S. Chou, who had been Chief Financial Officer since 1983, remains vice chairman of the Board of Directors and assumes the chairmanship of the newly created Finance Committee of the Board.

On July 27, 1988, the Board of Directors voted a quarterly dividend of \$.04 per share of Class B Common Stock and \$.0275 per share of Class C Common Stock. Both dividends will be paid on October 31, 1988 to shareholders of record on September 23, 1988.

A handwritten signature in black ink, appearing to read 'An Wang', with a long, sweeping horizontal stroke at the end.

Dr. An Wang

A handwritten signature in black ink, appearing to read 'Frederick A. Wang', with a long, sweeping horizontal stroke at the end.

Frederick A. Wang

July 27, 1988

Wang Unveils Networking, Desktop Integration Products

On April 26, 1988, the Company unveiled a series of networking and desktop integration products that provide a variety of options for customers' on-going requirement for greater power and flexibility at and from the desktop.

The Wang PC Local Area Network (LAN), a set of software and hardware products for linking Wang PC 200/300 Series systems, IBM PCs and compatibles, and Micro Channel-based PS/2s from IBM into work-group and departmental computing systems, offers file and print sharing, electronic mail and messaging via Wang's LAN OFFICE, and transparent communications with other LANs, minicomputers, and mainframes.

The Company also announced a strategic business agreement with Banyan Systems Inc. allowing Wang to remarket several Banyan microcomputer networking products as part of the Wang PC LAN. The LAN's main component is Banyan's VINES™ network operating system, running on a family of three network servers designed for different performance needs.

The PC/VS Integration Services allows users of PCs connected to a Wang VS minicomputer to access and share VS peripherals, store and share MS-DOS® files on VS disks, and print PC files on VS printers.

For PC LAN users who want to access and use applications and services on the Wang VS, PC LAN/VS Access provides a VS connection to LANs running VINES and other industry-standard network operating systems. It also allows industry-standard PC LANs to be integrated around a VS minicomputer serving as a hub.

Wang also unveiled five integrated office applications. LAN OFFICE is an integrated suite of office automation applications for use on industry-standard PC LANs.

PC InfoSharer automates data sharing among PC applications and between PC and VS applications.

PC WP Plus is Wang's most advanced compound document processing program for use on industry-standard PCs and PC LANs.

VS OFFICE Indexer Release 1.5 is an information retrieval and management program for VS systems, integrated with PC WP Plus and PC InfoSharer, giving PC users access to VS-based documents.

VS OFFICE Release 2.05 is an enhanced version of Wang OFFICE for use on VS minicomputers.

These new products improve the ability of customers to manage 100 percent of their business information, by providing the highest level of integration across a wide range of desktop systems, while maintaining Wang's traditional ease of use.